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Department of State TELEGRAM

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EXCISE

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ACTION EA-09

INFO OCT-01 ISO-00 XMB-02 ES-07 [illegible]

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TO SECSTATE WASHDC 7864
INFO ERDA GERMANTOWN
ERDA HQA WASHDC
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DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY [illegible] DATE 5/21/82
PORTIONS DENIED AS INDICATED

C O N F I D E N T I A L SEOUL 4722

STATE PASS EXIM

TOKYO FOR ERDA REP HENOCK

E.O. 11652: GDS
TAGS: PARM, MNUC, EXIM, TECH, EFIN, KS
SUBJECT: STATUS WESTINGHOUSE-KECO NEGOTIATIONS ON KORI II NUCLEAR PROJECT

REF: (A) SEOUL 3480, (B) SEOUL 3714

1. RECENT EMBASSY CONVERSATIONS WITH KOREA ELECTRIC COMPANY (KECO) OFFICIALS AND U.S. COMMERCIAL SOURCES INDICATE THAT KECO HAS TURNED DOWN LATEST WESTINGHOUSE (WELCO) PROPOSAL ON KORI II AND IS NOW ACTIVELY SOLICITING NRE BIDS ON TURNKEY BASIS FROM US SUPPLIERS TO BE USED WITH KORE II EXIM LOAN PACKAGE. DEADLINE FOR FINAL WELCO OFFER TO KECO IN CONTEXT OF "OLD RELATIONSHIP" WAS JUNE 10. THIS OFFER, [ ] HAS SEEN REJECTED AND KECO CONSIDERS THAT IT IS NO LONGER BOUND CONTRACTUALLY TO WELCO. IN ATTEMPTING OVER SIX MONTH PERIOD TO REACH ACCOMMODATION ON KORI II COSTS KECO ALSO FEELS THAT IT HAS DISCHARGED ITS BUSINESS OBLIGATION TO WELCO.

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2. IN COURSE OF MID-MAY MEETINGS WITH GE NUCLEAR TEAM, REPORTED IN REF B, KECO INITIATED DISCUSSIONS WITH GE ON COST AVAILABILITY FOR 800-1000 MW NUCLEAR STATION TO BE BUILT AT KORI II SITE. GE IS NOW IN PROCESS DRAWING UP DETAILED PROPOSAL FOR KORI II ON TURNKEY BASIS AND WILL PRESENT THIS TO KECO ON OR BEFORE SEPTEMBER 15, 1976. ON JUNE 21-22 GE NUCLEAR TEAM WILL PRESENT TO KECO PRESIDENT KIM YONG-CHUN IN TOKYO A PRELIMINARY PROPOSAL WITH MAJOR EQUIPMENT SOURCES IDENTIFIED, A ROUGH CONSTRUCTION SCHEDULE, AND TENTATIVE COST ESTIMATES.

3. ALTHOUGH KECO IS DETERMINED AS A MATTER OF OFFICIAL POLICY TO CONTRACT FOR FUTURE NUCLEAR UNITS ON A NON-TURNKEY BASIS (BY HIRING AN ENGINEERING CONSULTANT FIRM TO OVERSEE OPEN BIDDING) IT HAS APPARENTLY DECIDED TO FOREGO THIS PROCEDURE ON KORI II. WHILE DISCUSSIONS WITH GE HAVE NOW GONE ON FOR MORE THAN A MONTH, KECO IS NOT KNOWN TO HAVE NOTIFIED ANY OTHER US NECLEAR EQUIPMENT SUPPLIERS OF ITS INTENTION TO REOPEN KORI II BIDDING.

4. GE PROPOSAL, AS IT NOW STANDS, IS ATTRACTIVE TO KECO BOTH IN TERMS OF OVERALL CAPITAL COST[ ]AND BECAUSE GE'S STATED DESIRE TO AVOID USE OF UK SUPPLIED TURBINE-GENERATOR SET OR OTHER UK SUPPLIED MAJOR EQUIPMENT. KECO BLAMES POOR UK MANUFACTURER PERFORMANCE FOR MUCH OF THE DELAY EXPERIENCED IN CONSTRUCTION OF KORI I UNIT. GE PROPOSAL INCLUDES 900 MW GE BWR 6 MARK III CONTAINMENT NSSS WITH TURBINE GENERATOR EQUIPMENT TO BE SUPPLIED EITHER BY GE'S JAPANESE LICENSEE OR SWISS FIRM BORWN BOVARI.

5. IN REQUESTING GE TO BID ON BASIS OF A LARGER CAPACITY SYSTEM THAN WAS ORIGINALLY CONTEMPLATED FOR KORI II KECO WAS ASKED GE TO INDEPENDENTLY DETERMINE IF ERDA ENRICHMENT SERVICES WOULD BE AVAILABLE ON FIRM CONTRACT BASIS TO BRIDGE GAP OPENED BY JUMPING CAPACITY FROM 600 TO 900 MW. GE LOCAL REP STATES THAT GE WILL APPROACH ERDA ON THIS MATTER AND WILL ENCOURAGE KECO TO DO LIKEWISE IN NEAR FUTURE. GE'S PRELIMINARY READING TO KECO ON THIS POINT IS THAT SUFFICIENT EXCESS CAPACITY APPEARS AVAILABLE ON OPEN MARKET TO SATISFY THIS REQUIREMENT.

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6. IN CONTRAST TO ABOVE, WESTINGHOUSE REPRESENTATIVE STATES THAT THEY ARE STILL NEGOTIATING ON CONTRACT REVALIDATION WITH KECO, THAT KECO PRESIDENT KIM IS IN TAIWAN CHECKING NUCLEAR COSTS AND THAT THEY EXPECT TO PROCEED WHEN KIM RETURNS.
SNEIDER